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No. _____

In the

Supreme Court of the United States

October Term, 1998

WINGS,
a.k.a L & L Wings, Inc.,

Petitioner,

v.

TWO'S COMPANY,
a Rhode Island Corporation,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Eleventh Circuit

PETITION FOR A WRIT OF CERTIORARI

Bennett D. Krasner
Attorney for Petitioner
1233 Beech Street #49
Atlantic Beach, NY 11509
516/889-9353

Irwin W. Stolz, Jr.
Counsel of Record
Seaton D. Purdom
Gambrell & Stolz, L.L.P.
Suite 4300, SunTrust Plaza
303 Peachtree Street, NE
404/577-6000
Atlanta, GA 30308

Appellate Service: Curry & Taylor (800) 222-8738/Appellate@webtv.com

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QUESTIONS PRESENTED FOR REVIEW

I. IN CASES OF COPYRIGHT INFRINGEMENT AND CONTEMPT BASED UPON CONSENT DECREES BASED ON COPYRIGHT, WHETHER UNEXCUSED AND UNEXPLAINED DELAY IN GIVING NOTICE AND SEEKING RELIEF RESULTS IN THE RAISING OF THE DEFENSE OF LACHES AS A DEFENSE TO A CORRESPONDING PART OF INFRINGEMENT DAMAGES, UNDER A NATIONAL STANDARD APPLICABLE TO SUCH A DEFENSE?

II. WHETHER A FINDING OF COPYRIGHT INFRINGEMENT, NOTWITHSTANDING DIFFERENCES BETWEEN AND AMONG CERTAIN SUBJECT DESIGNS, EXTENDS COPYRIGHT PROTECTION TO IDEAS CONTRARY TO THE COPYRIGHT CLAUSE OF THE UNITED STATES CONSTITUTION, THEREBY INHIBITING CREATIVITY AND FREE EXPRESSION.

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UNITED STATES CONSTITUTION

Article I, § 8, cl. 8 1

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Eleventh Circuit is an unreported per curiam opinion of September 30, 1998, entered in Two's Company, a Rhode Island Corporation, Plaintiff-Appellee v. Wings, a.k.a. L & L Wings, Inc., Defendant-appellant, United States Court of Appeals for the Eleventh Circuit, Docket No. 97-5279, which opinion appears in the Appendix. (App. 1-2). The relevant interlocutory orders with attached memoranda of the United States District Court for the Southern District of Florida are those of October 30, 1995 (App. 3-10), November 27, 1996 (App. 11-12), and May 27, 1997 (App. 13-20). The final judgment of the District Court was entered on May 27, 1997 (App. 21-22). Reconsideration was denied by the trial court on July 10, 1997 (App. 23).

STATEMENT OF THE BASIS OF JURISDICTION OF THE SUPREME COURT

The statutory provision for this Court's jurisdiction is found in 28 U.S.C. § 1254. The United States Court of Appeals for the Eleventh Circuit issued its opinion in this case on September 30, 1998 and denied reconsideration on November 5, 1998. This Petition was filed within 90 days of the opinion's issuance and denial of reconsideration, and is timely.

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Relevant portions of Article I, § 8, cl. 8 of the United States Constitution and 17 U.S.C. §§ 102 (b) and 504 appear in the Appendix hereto beginning at page App. 25-27.

STATEMENT OF THE CASE

The case arises out of a Motion and Memorandum For Order To Show Cause Why Defendants Should Not Be Held In Contempt, filed April 4, 1995 [R4-235], (including:

Exhibit A, Two's Company copyrighted art work; Exhibit B, prior Final Order and Consent Decree, filed April 3, 1992 [R4-233], and Exhibit C, photographs of allegedly infringing articles). (App. 28-42).

The Magistrate Judge's Report And Recommendation, filed October 30, 1995 [R5-259] found appellant in contempt. (App. 3-10). The findings of fact of the Magistrate, as adopted by the District Court Judge, showed that purchases of the allegedly infringing items were made in April 1994 and motion for contempt giving notice of claim for copyright infringement in violation of the prior consent decree was not filed until April 1995. Appendix, pp. 3-10, Report and Recommendation, App. p. 7, ¶ (c), (buys conducted April 25, 1994); App. p. 5 (motion for contempt filed April 4, 1995). The District Court Judge adopted the Magistrate's report in its Order Affirming Magistrate Judge's Report And Recommendation And Setting Hearing On Possible Sanctions, filed November 27, 1996 [R5-269]. (App. 11). On trial of damages, the District Court entered its Order, incorporating Magistrate Judge's Report and Recommendation, setting forth findings of fact and conclusions of law for Two's Company recovery of $936,348.00 for contemptuous infringement, plus $51,510.41 attorney's fees and costs, from L & L Wings, Inc., filed May 27, 1997 [R6-327]. (App. 13-20).

Final Judgment, making the Order of May 27, 1997 the judgment of the Court, was filed May 27, 1997 [R6-328]. (App. 21-22). Order Denying Defendants' Motion For Reconsideration was filed July 10, 1997 [R6-332]. (App. 23). Nothing in the Orders explains or justifies the delay of from April 1994 to April 1995.

Per curiam, the Eleventh Circuit court of Appeals affirmed on September 30, 1998 (App. 1-2)and reconsideration was denied November 5, 1998. (App. 24).

Jurisdiction of the case in the District Court was founded upon 28 U.S.C. § 1331, federal question based upon claims in copyright.

ARGUMENT

I. THE ELEVENTH CIRCUIT FAILED TO APPLY A NATIONAL UNIFORM STANDARD FOR LACHES ARISING OUT OF COPYRIGHT PREDATION. (QUESTIONS ONE).

Petitioner L & L Wings, Inc. seeks the grant of the writ of certiorari to the United States Court of Appeals for the Eleventh Circuit in order to bring its view in line with that of the Ninth Circuit with respect to the defense of laches in copyright cases where the copyright owner delays notice of infringement and the seeking of relief to enhance damages at the expense of the innocent infringer.

That the Copyright Clause of the United States Constitution exists to promote profitable economic enterprise and derivatively the general welfare is well settled:

> Article I, § 8, cl. 8 of the United States Constitution empowers the Congress: "To promote the progress of science and useful arts, by securing, for limited times, to authors and inventors, the exclusive right to their respective writings and discoveries." In commenting on this clause of the Constitution, our Supreme Court has said that "The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in 'Science and useful Arts.' " *Mazer v. Stein*, 347 U.S. 201, 219, 74 S.Ct. 460, 471, 98 L.Ed. 630 (1954).

Universal City Studios, Inc. v. Sony Corp. of America, 659 F.2d 963, 965 (9th Cir. 1981). See also, *CCC Information Services, Inc. v. Maclean Hunter Market Reports, Inc.*, 44 F.3d 61, (2nd Cir. 1994) (same principle expressed in context of current statute). The national interest to be protected by the Copyright Clause and the Copyright Act enacted pursuant to it is a uniform national interest, the contours of enforcement and remedy of which are to be uniform amongst the several States and hence among the federal judicial

circuits. This is well demonstrated by the preemptive effect which the various federal copyright acts have been given upon even indirect encroachment of inconsistent State law.

> In *Compco Corp. v. Day-Bright Lighting, Inc.*, 376 U.S. 234, 84 S.Ct. 779, 11 L.Ed.2d 669 (1964), and *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 84 S.Ct. 784, 11 L.Ed.2d 661 (1964), the Supreme Court determined that the Supremacy Clause of the United States Constitution, U.S. Const., Art. VI, precludes the states from protecting types of intellectual property that are already covered by the federal copyright or patent laws. *Sears* and *Compco* "ma[k]e it very clear that just as a state could not encroach upon the federal patent laws directly it could not do so indirectly under the guise of enforcing its laws against unfair competition where those laws would clash with the federal objectives." *Sinatra v. Goodyear Tire & Rubber Co.*, 435 F.2d 711, 717 (9th Cir.1970), cert. denied, 402 U.S. 906 91 S.Ct. 1376, 28 L.Ed.2d 646 (1971). The same applies to the copyright statute.

Fisher v. Dees, 794 F.2d 432, 440 (9th Cir. 1986). To effect the same national uniformity, Congress has vested exclusive jurisdiction of copyright claims (and patent claims) in the United States District Courts.

> Federal courts have jurisdiction exclusive of any state court over copyright cases, 28 U.S.C. § 1338(a), reflecting the federal nature of copyright law, which itself derives from the Copyright Clause of the United States Constitution. U.S. Const. Art. 1, § 8, cl. 8; 1 Nimmer, Copyright, § 1.01[A] at 1-3 (1989).

Miss America Organization v. Mattel, Inc., 945 F.2d 536, 542 (2d Cir. 1991). Thus, it is of vitalimportance to the promotion of the promotion of the national interest in enhancement of useful economic opportunity and activity that the scope of copyright (and patent) protection shall be uniform throughout the nation. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162, 109 S.Ct. 971, 983, 103 L.Ed.2d 118 (1989) ("One of the fundamental purposes behind the Patent and Copyright Clauses of the Constitution

was to promote national uniformity in the realm of intellectual property.").

That uniformity must necessarily include uniformity of defenses to the scope of damages recoverable for infringement. The need for national uniformity of the fair use defense, and the national interests underlying it, are well recognized.

> The Supreme Court has acknowledged repeatedly "the inherent tension in the need simultaneously to protect copyrighted material and to allow others to build upon it." *Campbell v. Acuff-Rose Music, Inc.*, --- U.S. ----, ----, 114 S.Ct. 1164, 1169, 127 L.Ed.2d 500 (1994), and thereby maximize progress. Although monopoly protection of the financial interests of inventors and authors is necessary "to stimulate creativity and authorship, excessively broad protection would stifle, rather than advance," intellectual progress. Pierre N. Leval, Toward a Fair Use Standard, 103 HARV.L.REV. 1105, 1109 (1990).

Princeton University Press v. Michigan Document Services, Inc., 74 F.3d 1512, at 1518 (6th Cir. 1996). Here, the Petitioner urges that there should be a uniform national standard for the defense of laches arising out of copyright predation, where the copyright owner delays seeking relief in order to enhance the amount of relief -- so that the amount of enhancement garnered by unreasonable delay should not be recoverable.

Such a defense to the amount of damages recoverable for infringement in an accounting for profits was recognized in 1916 by Judge Learned Hand. Reasoning directly from the purposes of promoting economic activity which underlies the copyright protection, Judge Hand found that in cases where there had been an unreasonable delay in giving notice to a contended copyright infringer, the amount of damages in an equitable accounting for profits should be reduced to the extent that the remedy of profits was enhanced by the delay in notice. In *Haas v. Leo Feist, Inc.*, 234 F. 105 (S.D.N.Y. 1916), Judge Hand issued an Opinion recognizing the inequity of allowing a copyright owner to capitalize on the infringer by keeping silent to reap a windfall:

> Equity will control its peculiar remedy of

> an account of profits according to its own sense of justice. It must be obvious to everyone familiar with equitable principles that it is inequitable for the owner of a copyright, with full notice of an intended infringement to stand inactive while the proposed infringer spends large sums of money in its exploitation and to intervene only when his speculation has proved a success. Delay under such circumstances allows the owner to speculate without risk with the other's money; he cannot possibly lose and he may win.

Haas v. Leo Feist, Inc., 234 F. 105, at 108 (S.D.N.Y. 1916). While *Haas* has been followed by a host of copyright cases, virtually without exception, on other issues[1], the legal

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[1] Circuit Court cases following *Haas* on other issues: *Marks v. Leo Feist, Inc.*, 8 F.2d 460, at 461 (2d Cir. 1925) (attorneys fees award in copyright questions within discretion of court); *Davilla v. Brunswick-Balke Collender Co. of New York*, 94 F.2d 567, at 570 (2d Cir. 1938) ("Counsel fees should be commensurate with the services necessarily rendered and the success obtained"); *Sammons v. Colonial Press*, 126 F.2d 341, at 347-348 (1st Cir. 1942) (defendant not held accountable for net profits received by another); *De Acosta v. Brown*, 146 F.2d 408 fn4 (2d Cir. 1944).

District Court cases following *Haas* on other issues: *Fred Fisher, Inc., v. Dillingham*, 298 F. 145, 149 (S.D.N.Y. 1924) (similarity to work in public domain may be used to show lack of infringement); *Sammons v. Larkin*, 38 F.Supp. 649, at 653 (D.C.Mass. 1940) (publication of copyright notice triggers duty of all to know, so that innocence of copying is not a defense to injunctive relief); *Chappell & Co. v. Costa*, 45 F.Supp. 554, at 555 (S.D.N.Y. 1942) ("afternotice of copyright has been published everyone is under the duty to learn the facts concerning the copyright, and copies at his peril"); *Jewel Music Pub Co v. Leo Feist, Inc*, 62 F.Supp. 596, at 598 (S.D.N.Y., 1945); *Alart Associates, Inc. v. Aptaker*, 279 F.Supp. 268, at 270 (S.D.N.Y., 1968) (failure to incorporate registrant discussed).

Cases not following *Haas*: *Bell v. Combined Registry Co.*, 397 F.Supp. 1241, 1244-1245 (N.D. Ill., 1975) (disagreeing with *Haas* on

landscape presentsonly a handful which have followed it with respect to the defense of laches which arises out of copyright predation in delay of bringing action for infringement. Most are recent, and are found in the Ninth and Second Circuits at the Circuit Court level, with one District Court . The recent cases following Haas in its view of predatory laches in intellectual property cases recognize that it is the wasted marketing efforts -- which might have been otherwise spent -- which create a presumptive injury to the innocent infringer and support the copyright predation laches defense to the excess damages.

> Plaintiffs further argue the desirability of allowing putative co-owners to wait to see whether there is pecuniary value to a law suit, before cluttering the courts. But the court's administrative gain if lawsuits can be postponed this way is offset by the burden and deterrent to development and marketing by a co-owner. It is inequitable to allow the putative co-owner to lie in the weeds for years after his claim has been repudiated, while large amounts of money are spent developing a market for the copyrighted material, and then pounce on the prize after it has been brought in by another's effort. "Delay under such circumstances allows the [putative] owner to speculate without risk with the other's money." *Haas v. Leo Feist, Inc.*, 234 F. 105, 108 (S.D.N.Y.1916) (Learned Hand, J.).

Zuill v. Shanahan, 80 F.3d 1366, at 1370-1371 (9th Cir. 1996). see also: *Stone v. Williams*, 873 F.2d 620, at 626 (2nd Cir. 1989) (*Haas* followed on copyright predation laches defense); *Universal Pictures Co. v. Harold Lloyd Corp.*, 162 F.2d 354, at 372 (9th Cir. 1947) (*Haas* defense of laches followed, but defeated by deliberate infringement); *Lotus Development Corp. v. Borland Intern., Inc.*, 831 F.Supp. 202, at 218-219 (D. Mass., 1993) (recognizing doctrine, but recognizing excuse for delay); *Bodenstab v. J.R. Blank & Associates, Inc.*, 1990 WL 251818, *7-*8 (N.D. Ill. 1990) (Not Reported in F.Supp.) (recognizing *Haas* predatory delay

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supremacy clause ground on issue of failure to register corporation as defense to copyright registration); *Mills Music v. Cromwell Music*, 126 F.Supp. 54, at 65 (S.D.N.Y., 1954) (*Haas* not followed because of change in law).

laches defense, presumption of wasted economic opportunities); *Christie v. Raddock*, 169 F.Supp. 48 (S.D.N.Y. 1959) (recognizing *Haas* predatory delay laches defense); *Khan v. Leo Feist, Inc.*, 70 F.Supp. 450, at 450 (S.D.N.Y., 1947) (copyright predation defense not sustained because of shortness of period of delay). Compare, *Supermarket of Homes, Inc. v. San Fernando Valley Board of Realtors*, 786 F.2d 1400 (9th Cir. 1986) (defense of unclean hands).

Measured by a uniform national interest in promotion of economic activity, the equitable doctrines of inequitable remedy, laches and unclean hands should prevent a copyright Plaintiff from recovering a Defendant's profits from a reasonable time after Plaintiff had notice of the infringement to the commencement of the lawsuit. In the case at bar, the findings of fact of the Magistrate, as adopted by the District Court Judge, showed that purchases of the allegedly infringing items were made in April 1994 and motion for contempt giving notice of claim for copyright infringement in violation of a prior consent decree was not filed until April 1995. Appendix, pp. 3-10, Report and Recommendation, p. 7, ¶ (c), (buys conducted April 25, 1994); App. p. 5 (motion for contempt filed April 4, 1995). The trial court, however, did not rule on the equitable defense and what would have been a reasonable time to either bring the action or at least give notice that infringement was to be alleged.

As was pointed out in the briefs of the appellee in this case, Judge Hand's view in this area of the practice is not the view of the Eleventh Circuit, with the circuit authority holding that the defense of laches will not lie unless the period of limitations has gone by without notice ofinfringement being given. See *Kason Industries, Inc. v. Component Hardware Group, Inc.*, 120 F.3d 1199 (11th Cir. 1997) (period for laches derived from underlying State law period of limitations). In determining the appropriate standard for laches in Lanham Act litigation (where a federal standard for commercial property in a mark is at issue), the Eleventh Circuit adopts a view which inappropriately looks to the statute of limitations of the analogous claim under State law in the forum State:

> The equitable defense of estoppel by laches may be applied to bar claims for trade dress or trademark infringement brought under the Lanham Act. *Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1517 (11th Cir.1984). Though the

> doctrine is an equitable doctrine that should be applied flexibly, a defendant must demonstrate the presence of three elements in order to successfully assert laches as a defense: (1) a delay in asserting a right or a claim; (2) that the delay was not excusable; and (3) that there was undue prejudice to the party against whom the claim is asserted. *AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1545 (11th Cir.1986). The Lanham Act does not contain a statute of limitations. However, in trademark cases this circuit has followed the Sixth Circuit, which applies the period for analogous state law claims as the touchstone for laches. Id. at 1546 (citing *Tandy Corp. v. Malone & Hyde, Inc.*, 769 F.2d 362, 365 (6th Cir.1985)).

Kason Industries, Inc. v. Component Hardware Group, Inc., 120 F.3d 1199, (11th Cir. 1997). However, the types of cases in which laches properly borrows from State law are those where the underlying claim is essentially a contract or tort claim, appearing as a federal claim by reason of admiralty or other federal law which creates claims equivalent to state law claims. In such cases, it is appropriate for federal law to borrow from State law limitations periods to assess the laches defense. *Mecom v. Levingston Shipbuilding Co.*, 622 F.2d 1209 (5th Cir. 1980) (Where plaintiff files claim within analogous statutory period, defendant must show inexcusable delay and resulting prejudice to establish a laches defense; where analogous statute has run prior to suit, plaintiff must prove either absence of prejudice or excuse for delay to repel claim of laches); *Sandvik v. Alaska Packers Ass'n*, 609 F.2d 969 (9th Cir. 1979) (comparable state statute of limitations is a guideline, but actual determination should be made after evaluating prejudice to defendant and reasons for delay); *Butler v. American Trawler Co., Inc.*, 887 F.2d 20 (1st Cir. 1989) (laches, following analogous limitation period as rule of thumb); *De Silvio v. Prudential Lines, Inc.*, 541 F.Supp. 625 (D.C. N.Y. 1982) (laches borrows analogous state law limitation period; if passed, plaintiff must have reasonable excuse for delay); *Tolbert v. M/V Stanislavsky*, 513 F.Supp. 279 (D.C. La. 1981) (laches borrowed analogous federal limitation period; where suit filed before expiration, laches would require showing of inexcusable delay and prejudice to defendant); *Lagares v. Good Commander Shipping Co.*, 487 F.Supp. 1243 (D.C.N.Y. 1980) (laches borrowed analogous state law limitation period; where suit filed after period,

absence of excuse for delay required dismissal without showing of prejudice to defendant); *Eazor Exp., Inc. v. U.S.*, 483 F.Supp. 138, (D.C.N.Y. 1980) (laches borrowed analogous state law limitation period; where suit filed after period, absence of excuse for delay required dismissal without showing of prejudice to defendant); *Complaint of American Export Lines, Inc.*, 620 F.Supp. 490, (D.C.N.Y. 1985) (laches borrowing of analogous state law limitation period); *Deutsche Shell Tanker-Gesellschaft mbH v. Placid Refining Co.*, 767 F.Supp. 762, (E.D.La. 1991) (when claim filed within analogous state statute of limitations period, defense of laches requires inexcusable delay and resulting prejudice); *Guenther v. Sedco, Inc.*, 866 F.Supp. 786, (S.D.N.Y. 1994) ("when applying the doctrine of laches ... [Court balances] three factors: (1) whether a "satisfactory excuse for the delay in bringing the cause of action" exists; (2) "whether allowing the action to go forward despite the delay would unfairly prejudice the defendant[s]"; and (3) the analogous statute of limitations."); *Asia North America Eastbound Rate Agreement v. Pacific Champion Service Corp.*, 864 F.Supp. 195 (D.D.C. 1994) (laches, relevant factors are whether limitations period established by analogous statute of limitations has expired, reasonableness of delay in bringing suit, and prejudice resulting from delay). In such cases, where the underlying interest is to promote fair trial of a claim truly analogous to a contract or tort claim, it is appropriate to weigh the corresponding state law analogous claim and to weigh issues of evidentiary prejudice.

Where a cause of action, and the defenses surrounding it, serve to vindicate a uniform national interest, however, it is inappropriate to use that version of laches which derives from analogizing to a state law claim, determining the period of limitations, and weighing the evidentiary prejudices. In causes of action which vindicate national interests, it is the prejudice to the national interest vindicated by the cause of action and surrounding defenses which furnish the basis from which laches should be assessed. That the paramount goal in fashioning rules of laches which apply to such actions is to vindicate the national interest applicable to the federal cause of action at issue is well and comprehensively discussed in *Murphy By and Through Murphy v. Timberlane Regional School Dist.*, 819 F.Supp. 1127, 1131-1132 (D.N.H. 1993).

> In some circumstances, however, state statutes of limitations can be unsatisfactory vehicles for the enforcement of federal law. In those instances, it may be inappropriate to

conclude that Congress would choose to adopt state rules at odds with the purpose or operation of federal substantive law.

> "[T]he Court has not mechanically applied a state statute of limitations simply because a limitations period is absent from the federal statute. State legislatures do not devise their limitations periods with national interests in mind, and it is the duty of the federal courts to assure that the importation of state law will not frustrate or interfere with the implementation of national policies. 'Although state law is our primary guide in this area, it is not, to be sure, our exclusive guide.' " *Occidental Life Ins. Co. v. EEOC*, 432 U.S. 355, 367 [97 S.Ct. 2447, 2455, 53 L.Ed.2d 402] (1977) (quoting *Johnson v. Railway Express Agency, Inc.*, 421 U.S. 454, 465 [95 S.Ct. 1716, 1722, 44 L.Ed.2d 295] (1975)).
>
> Hence, in some cases we have declined to borrow state statutes but have instead used timeliness rules drawn from federal law--either express limitations periods from related federal statutes, or such alternatives as laches.

Id., 462 U.S. at 158-62, 103 S.Ct. at 2287-89 (footnotes and citations omitted) (emphasis added).

Murphy By and Through Murphy v. Timberlane Regional School Dist., 819 F.Supp. 1127, at 1131 (D.N.H. 1993), citing *Holmberg v. Armbrecht*, 327 U.S. 392, 395 [66 S.Ct. 582, 584, 90 L.Ed. 743] (1946).

In the case at bar, the Eleventh Circuit's per curiam opinion affirmed the District Court, simply finding no abuse of discretion. In so doing, the Eleventh Circuit approved the District Court's findings which allowed the recovery of damages for the entire period of contended infringement, notwithstanding an unexplained and unexcused delay which appeared on the face of the Magistrate's Report and Recommendation. In this, the Eleventh Circuit declined to

follow the view of laches arising from copyright predation as set forth by Judge Learned hand in *Haas v. Leo Feist, Inc.*, 234 F. 105 (S.D.N.Y. 1916), and as followed by the Ninth and Second Circuits, and one Illinois District Court. The standard of laches which promotes the national interest vindicated by federal intellectual property law, however, is that vindicated by the rule in *Haas*, rather than the rule derived from admiralty cases, judging claims which are truly analogous to common law contract and tort claims. The national standard sought is supported by precedent of this Court. In *Sheldon v Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 60 S.Ct. 681, 84 L.Ed. 825 (1940), this Court held that when damages include the disgorgement of profits for copyright infringement, the trial court as a court of equity should seek to determine those profits which truly are attributable to the use of the infringing article. As a Court of Equity, the District Court has the duty to "...provide just compensation for the wrong, not to impose a penalty by giving to the copyright proprietor profits which are not attributable to the infringement." *Sheldon v Metro-Goldwyn Pictures Corp.*, 60 S. Ct. 684. See also, *Aerospace Service International v. The LPA Group, Inc.*, 57 F.3d 1002 (11th Cir. 1995) (applying apportionment under current copyright act). This Court has likewise recently been active in granting certiorari in punitive damages cases where the awards were shown to be so great that the effect of the awards would be to inhibit enterprise and economic activity itself. *Pacific Mut. Life Ins. Co. v. Haslip*, 499 U.S. 1, 23-24, 111 S.Ct. 1032, 113 L.Ed.2d 1 (1991) (upholding award of punitive damages which were four times the amount of compensatory damages); *TXO ProductionCorp. v. Alliance Resources Corp.*, 509 U.S. 443, 113 S.Ct. 2711, 125 L.Ed.2d 366 (1993) (recognizing due process limit on punitive damages awards but not invalidating award); *BMW of North Am., Inc. v. Gore*, 517 U.S. 559, 582, 585-86, 116 S.Ct. 1589, 134 L.Ed.2d 809 (1996) (finding punitive damages of 500 times amount of actual harm to be constitutionally excessive in violation of substantive due process).

To review the issue of what standard of laches should be applied where copyright predation appears from a delay in seeking redress from copyright infringement, and to establish a national standard, this Court should grant the writ of certiorari.

II. THE PRECEDENT SET IN THE MAGISTRATE'S REPORT AS ADOPTED BY THE DISTRICT COURT AND AFFIRMED PER CURIAM BY THE ELEVENTH CIRCUIT, IS TO AFFORD COPYRIGHT PROTECTION TO "IDEAS", CONTRARY TO THE COPYRIGHT CLAUSE OF THE UNITED STATES CONSTITUTION WHICH PROTECT ORIGINAL WORKS OF AUTHORSHIP. (QUESTION TWO).

Petitioner, L & L Wings, Inc. seeks the grant of the writ of certiorari directed to the United States Court of Appeals for the Eleventh Circuit to avoid the chilling effect this decision will have on the "progress of science and useful arts" *See, Stillman v. Leo Burnett Co., Inc.*, 720 F.Supp. 1353 (N.D. Ill. 1989). The Court in *Stillman*, 720 F. Supp. at 1357, states in pertinent part:

> The copyright laws serve to promote the "progress of science and useful arts" by protecting the labors of those who create original works and thereby ensuring the profitability of their endeavors and their willingness to bring novel ideas to the public. *Sony Corp. v. University City Studios, Inc.*, 464 U.S. 417, 428-29, 78 L. Ed. 2d 574, 104 S. Ct. 774 (1984). Too much protection, however, would undermine the goal: If authors, by publishing their works, could remove the ideas incorporated in them from the public domain, then they could stifle, rather than advance, the development and exploitation of new ideas. 3 *Nimmer on Copyright* § 13.03[A] (1988). To skate the thin line between too much and too little protection, the copyright laws have come to distinguish between the expression of ideas on the one hand, and the ideas themselves on the other. Authors may protect the former; the latter remain freely available for other authors to develop and exploit. See *17 U.S.C. § 102*(b); n2 *Reyher v. Children's Television Workshop*, 533 F.2d 87, 90 (2d Cir. 1976).

In the case at bar, the Magistrate found the Petitioner's designs differed in some respects from Plaintiff/Appellee's design. Notwithstanding the differences

in the designs, the findings of fact of the Magistrate, as adopted by the District Court found "...sufficient evidence of copyright infringement...". (App.3-10 at App. page 8). Appendix 46 hereto is a color copy of Plaintiff/Appellee's design and Appendix 47 hereto is a color copy of one of Petitioner's designs that are in question; the black and white copies may be found in the Motion and Memorandum For Order To Show Cause Why Defendants Should Not Be Held In Contempt, filed April 4, 1995 [R4-235], (including: Exhibit A, Two's Company copyrighted art work; Exhibit B, prior Final Order and Consent Decree, filed April 3, 1992 [R4-233], and Exhibit C, photographs of allegedly infringing articles). (App. 28-42). The Court further stated in *Stillman*, 720 F.Supp. at 1359-1360, as follows:

> Specifically, when the expression is indistinguishable from the idea,the copyright laws prohibit only identical copying because to protect more would be to grant a monopoly over the idea. *Herbert Rosenthal Jewelry Corp. v. Kalpakian*, 446 F.2d 738, 742 (9th Cir. 1971) (jeweled bee pins); see *Atari*, 672 F.2d at 614-15. In the same vein, when the similarity between two works arises exclusively from the use of the same process or technique -- for example, the similar "concept and feel" of two impressionist paintings -- it cannot form the basis for a copyright claim. See *Baker v. Selden*, 101 U.S. (11 Otto) 99, 101, 25 L. Ed. 841 (1879). Finally, "similarity of expression, whether literal or non-literal, which necessarily results from the fact that the common idea is only capable of expression in more or less stereotyped form will preclude a finding of actionable similarity." 3 *Nimmer on Copyright* § 13.03[A] at 13-21-13-33 (1988); *Frybarger v. International Business Machines Corp.*, 812 F.2d 525, 529-30 (9th Cir. 1987). Stated in terms of the intrinsic test, a non-identical work that would evoke a similar response in an ordinary observer as does another work does not violate the latter's copyright if the similar response arises solely from the similarities of the nonprotectible elements of the two works. See *Data East USA, Inc. v. Epyx, Inc.*, 862 F.2d 204, 208 (9th Cir. 1988); *Hartman v.*

Hallmark Cards, Inc., 833 F.2d 117, 120 (8th Cir. 1987).

The Magistrate's Report in the instant case, as adopted by the District Court and affirmed per curiam by the Eleventh Circuit, grants a monopoly over an *idea* itself. The said decision will stifle, rather than advance, the development and exploitation of new ideas and creators of original works will fear reprisal by copyright holders claiming exclusivity of the ideas themselves embodied in their copyrights.

CONCLUSION

Because of the gravity and public importance which attaches to the establishment and maintenance of uniform national standards vindicating the national interest promoted by the Copyright and Patent Clause, and because the present case demonstrates a departure from such uniformity, this Court should grant the writ of certiorari, and reverse the Eleventh Circuit affirmance of the judgment of the District Court.

This 24th day of December 1998.

Respectfully submitted,

Irwin W. Stolz, Jr.
Seaton D. Purdom
Gambrell & Stolz, L.L.P.
Suite 4300, SunTrust Plaza
303 Peachtree Street, NE
Atlanta, GA 30308
404/577-6000
Counsel for Petitioner L & L Wings, Inc.

Bennett D. Krasner
1233 Beech Street #49
Atlantic Beach, NY 11509
516/889-9353

IN THE UNITED STATES COURT OF APPEALS
FOR THE ELEVENTH CIRCUIT

No. 97-5279

TWO'S COMPANY,
a Rhode Island Corporation,

Plaintiff-Counter-
Defendant -Appellee,

versus

WINGS,
a.k.a L & L Wings, Inc.,

Defendant-Appellant.

Appeal from the United States District Court
for the Southern District of Florida

(September 30, 1998)

Before BLACK and CARNES, Circuit Judges, and FAY,
Senior Circuit Judge.

PER CURIAM:

Appellant Wings appeals the district court's order of

contempt finding it in violation of a Final Order and Consent Decree entered in 1992. In reviewing a contempt order, the district court's judgment "will be affirmed unless we find that the court abused its discretion." *Howard Johnson Co., Inc. v. Khimani*, 892 F.2d 1512, 1516 (11th Cir. 1990). We find no abuse of discretion in the district court's finding of contempt.

In addition, the district court did not abuse its discretion by remedying the contempt with the award of damages and attorney's fees.

AFFIRMED.

(Any footnotes trail document)
(Oct 10/30/95)
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT

Case No. : 90-10041-CIV-KING

TWO'S COMPANY,
a Rhode Island Corporation,
Plaintiff

versus

L &L WINGS, INC., et al.,

Defendants.

REPORT AND RECOMMENDATION

This CAUSE is before the Court on Plaintiff's Motion and Memorandum for Order to Show Cause Why Defendants Should not be Held in Contempt (D.E. 232) filed on April 4, 1995. On June 13, 1995, this motion was referred to the undersigned for a report and recommendation pursuant to 28 U.S.C. § 636(e). Accordingly, the undersigned conducted an evidentiary hearing on this motion on October 2,1995. Based on the evidence submitted at that hearing, and applicable Law, the undersigned finds that defendant, L & L Wings, Inc., has violated the Final Order and Consent Decree dated April 2, 1992. and, therefore, should be ordered to appear before the district court for a further hearing on this matter and any sanction(s) deemed appropriate by the Court at that time.

PROCEDURAL HISTORY

This is an action for copyright infringement filed in 1990 pursuant to 17 U.S.C. Sec 501 et seq. In brief summary, plaintiff, Two's Company, alleged that the several defendants in this case, including Wings a/k/a L & L Wings, Inc. (hereinafter "Wings"), infringed its copyrighted design of an abstract sailboat by manufacturing, distributing, and/or selling unauthorized reproductions and copies of the design on articles of clothing said by defendants in Key West. Florida and elsewhere. Initially, this case was filed against seventeen defendants, mostly retail stores operating in Key West, which all allegedly counterfeited plaintiff's copyrighted sailboat design on tee shirts and other casual clothing items. Following the seizure of clothing displaying the design at defendants' places at business, this Court entered stipulated Preliminary Injunction on July 13, 1990. Among other provisions, the Preliminary Injunction enjoined defendants, including Wings, from manufacturing, printing, selling, advertising or otherwise engaging in business using plaintiffs copyrighted design.

On April 3, 1992, this Court entered a Final Order and Consent Decree (D.E. 233) permanently enjoining all remaining defendants from further infringing on plaintiff's copyrighted design. Among other provisions, the Final Order and Consent Decree provided as follows:

> IT IS HEREBY ORDERED. ADJUDGED and DECREED:
>
> 1. That each of the remaining Defendants, their servants, employees and attorneys, and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise are hereby

permanently enjoined from, either directly or indirectly:
a) Manufacturing, reproducing, making, printing, reprinting, publishing, displaying, selling, offering for sale, promoting, advertising, secreting or distributing any article of manufacture, especlally clothing and/or transfers, bearing the artistic design copied from or closely resembling Plaintiffs copyrighted work, or from committing or causing others to do any such acts; or
b) Utilizing Plaintiff's copyrighted design or any elements thereof constituting protectable matter or any colorable imitations thereof, or otherwise suggesting in any way that the Defendants' products have been approved by, authorized by, licensed by, or in any way associated with or sponsored by Plaintiff, provided, however, that nothing herein shall be construed to enjoin the foregoing with authentic merchandise purchased, directly or indirectly from the Plaintiff.

On April 4, 1995, plaintiff filed the instant Motion for Order to Show Cause alleging that certain defendants had violated the Final Order and Consent Decree by selling articles of clothing bearing its copyrighted design. Presently this motion is pending only against Wings and its owners and/or controllers Shaul and Meir Levy. In summary, plaintiff allegies that Wings has been selling transfers of plaintiff's sailboat design applied to articles of casual clothing in its Key West locations. Plaintiff bases its allegations on purchases of clothing allegedly bearing the copyrighted design by a "private investigator" retained by plaintiff to "shop" this defendant's stores in Key West for articles of clotting bearing the

Copyrighted design. Plaintiff supported its mot ,1 with photocopy reproductions of articles of clothing purchased by the investigator at two Wings' locations in Key West. Based on the proffer of evidence, the undersigned found sufficient reason to believe that Shaul and Meir Levy, doing business as Wings in Key West had violated the Final Order and Consent Decree. Accordingly, the undersigned conducted the evidentiary hearing requested by plaintiff on October 2, 1995.

CERTIFIED FACTS[1]

On October 2, 1995, the undersigned conducted an evidentiary hearing on Plaintiff's Motion for Order to Show Cause and, as a result thereof, certifies the following findings of fact to the Court:

a. Two's Company is a Rhode Island corporation engaged in the wholesale distribution of sportswear and other merchandise to retailers throughout United States. Two's Company manufactures, sells and distributes its product bearing an artistic design of an abstract sailboat in the form of a silk screen print which plaintiff copyrighted and registered with the United States Copyright Office June 1985. Plaintiff's retail customers are primarily located in resort location through the United States including Key West, Florida.

b. Wings is a retail clothing store engaged in the business of retailing casual clothing in Key West. Florida and at other locations throughout the United States. Wings was and remains a defendant in this case and is subject to the Final Order and Consent Decree entered on April 3, 1992. Pursuant to that order, Wings is permanently enjoined from displaying, selling, and distributing clothing and/or transfers bearing the artistic design "copied from or closely resembling" plaintiffs

copyrighted work; or from utilizing plaintiffs copyrighted design "or any elements thereo constituting protectable matter or any colorable imitation thereof" in connection with the sale of merchandise. Final Order and Consent Decree, ¶ ¶ l (a), l(b).

c. On April 25, 1994, Barbara Wright, a former resident of Key West, was hired by plaintiff to "shop" retail stores in Key West looking for counterfeit products being sold by defendants bearing plaintiffs copyrighted design. Ms. Wright was shown a copy of plaintiffs copyrighted sailboat design prior to her assignment and instructed to look for and purchase clothing items bearing that design or any colorable imitations thereof.

d. Ms. Wright visited two locations of Wings on Duval Street and Roosevelt Boulevard in Key West. At Wings' Duval Street location, Ms. Wright purchased two pullover shirts ("tee shirts') each bearing a sailboat design either transferred or embroidered to the front of the shirts Ms. Wright purchased these two shirts because, in her opinion, the sailboat designs depicted thereon matched or closely resembled plaintiff's copyrighted design.

e. Ms. Wright next went to Wings' retail location on Roosevelt Boulevard and purchased three pullover shirts also bearing sailboat design resembling, in her opinion, plaintiffs copyrighted design. Again, Ms. Wright selected articles of clothing sold at Wings that she thought were 'good imitations' of plaintiff's design.

f. Shaul Levy, president of Wings, testified that he is responsible for purchasing and supervising sales at the Key West locations. Mr. Levy is familiar with plaintiff's

copyrighted sailboat design and the Final Order and Consent Decree entered by this Court enjoining Wings from selling any merchandise using that design or any part thereof. In Mr. Levy's opinion, the articles of clothing purchased by Ms. Wright at his stores in Key West did not bear plaintiff's copyrighted design or imitations thereof due to differences and/or variations in the designs on his shirts including the inclusion of flags on the masts, solar displays above the masts, wave patterns under the sailboat hulls, variations in color, the number of masts and sails, and other distinguishing features.

CONCLUSIONS

Based on the evidence presented, the undersigned finds that Wings has violated the Final Order and Consent Decree by selling merchandise bearing a close resemblance to plaintiff's copyrighted sailboat design at its two Key West locations. While the sailboat designs on Wings' shirts differ in some respects, many features are the same or very near the same to those depicted on plaintiff's design so that the overall impression is that of the same design. Specifically, this Court finds that the shapes of the sails, their positioning on the masts, their overlap on each other, and the overall design created by those overlaps is nearly identical in both products. Also, the shape of the sailboat hulls, the positioning of the masts on the sailboats, and the relative size of the vessels is almost the same in the copyrighted and infringing designs. The fact that the infringing designs depict more than two masts and add features not included in it's copyrighted design (i.e., flags on the masts, solar drawings above the masts, different wave patterns, and the words "Key West' under the sailboats) does not require a different conclusion. The Consent Decree protects plaintiff's copyrighted design, and designs closely resembling that design, and any colorable imitations thereof.

Wings' products closely resemble arid are clearly colorable imitations of the copyrighted design.

In summary, the undersigned finds sufficient evidence of copyright infringement by Wings to warrant further action by the District Court to enforce its Final Order and Consent Decree. Plaintiff has requested contempt sancations including damages for Wings' period of noncompliance with the Final Order and Consent Decree. Plaintiff suggests that such sanctions might be in the amount of lost sales or Wings' profits resulting from the infringing sales in Key West and other Wings' locations. In addition, plaintiff has requested reasonable attorney's fees incurred in bringing this motion. Pursuant to 28 U.S.C. § 636(e), the undersigned is limited to certifying the above facts tc the Disnict Court for any further action deemed appropriate by the district judge.

SUMMARY

Having found facts establishing Wings' violation of the Final Order and Consent Decree as certified above, the undersigned recommends that the District Court take whatever further action is deemed appropriate with respect to that violation.

The parties may serve and file written objections to this Report and Recommendation with the Honorable James Lawrence King, United Stares District Judge, within ten (10) days of the receipt See 28 U.S.C Sec. 636(b)(t)(C); United States v. Warren 687 F. 2d 347 (11th Cit. 1982). cert. denied 460 U.S. 1087 (1983); Hardin v. Wainwright, 678 F..2d 589 (5th Cir. Unit B 1982); see also Thomas v. Arn., 474 U.S. 140 (1985).

RESPECTFULLY SUBMITTED at Miami, Florida this 30th day at October. 1995.

s/ TED E. BANDSTRA
UNITED STATES MAGISTRATE JUDGE

Footnotes

[1]The undersigned Magistrate Judge hereby certifies the above facts to the district court pursuant to 28 U.S.C. § 636(e) which provides, in relevant part:

> (e) In a proceeding before a magistrate, any of the following acts or conduct shall constitute a contempt of the district court for the district wherein the magistrate is sittng: (1) disobedience or resistance to any lawful order, process, or writ;... Upon the commission of any such act or conduct, the magistrate shall forthwith certify the facts to a judge of the district court and may serve or cause to be served upon any person whose behavior is brought into question under this section an order requiring such person to appear before a judge of that court upon a day certain to show cause why he should not be adjudged in contempt by reason of the facts so certified. A judge of the district court shall thereupon, in a summary manner, hear the evidence as to the act or conduct complained of and, if it is such as to warrant punishment, punish such person in the same manner and to and same extent as for contempt committed before a judge of the court, or commit such person upon the conditions applicable in the case of defiance of the process of the district court or misconduct in the presence of a judge of that court.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT
(Filed 11/27/96)
Case No. : 90-10041-CIV-KING

TWO'S COMPANY,
a Rhode Island Corporation,
Plaintiff

versus

L &L WINGS, INC., et al.,

Defendants.

ORDER AFFIRMING MAGISTRATE JUDGE'S REPORT AND RECOMMENDATION AND SETTING HEARING ON POSSIBLE SANCTIONS

THIS CAUSE comes before this Court upon Plaintiff's Motion for Reconsideration of the Magistrate Judge Ted E. Bandstra's Order dated November 4, 1996. Defendants (Shaul and Meir Levy, d/b/a Wings #301, and L&L wings, Inc., a/k/a Wings) have not filed Objections tc the Magistrate Judge's Report.

Magistrate Judge Ted E. Bandstra found that the appointment of a special master would be premature. After reviewing the Magistrate Judge's Report and Recommendation and Plaintiff's Objections, it is affirmed.

Accordingly, after a careful review of the record, and the Court being otherwise fully advised, it is

ORDERED and ADJUDGED that the Magistrate Judge's Report and Recommendation be, and the same is hereby, AFFIRMED, ADOPTED and RATIFIED. It is

FURTHER ORDERED and ADJUDGED that the parties appear before this Court for a hearing to show cause why sanctions should not be entered for violation of the Court's previous Order. The parties are ordered to appear on February 19, 1997 at 1:00 P.M. at the United States District Corthouse, 301 Simonton Street, Key West, Florida.

DONE and ORDERED in Chambers at the United States District Courthouse, James Lawrence King Federal Justice Building, Miami, Florida, this 26th day of November, 1995.

s/ JAMES LAWRENCE KING
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

IN THE UNITED STATES DISTRICT
FOR THE SOUTHERN DISTRICT OF FLORIDA
(May 27, 1997)
90-10041-CIV-KING

TWO'S COMPANY, a Rhode Island Corporation
Plaintiff,

v.

L & L WINGS, INC., et al.
Defendants.

ORDER

THIS CAUSE comes before this Court after a Show Cause Hearing was held on February 19, 1997 and an evidentiary hearing to determine damages as a result of Defendant L & L Wings, Inc.'s contemptuous violation of the Court's April 2, 1992 Final Order and Consent Decree, was held February 24-25, 1997 Plaintiff and Defendant, L & L Wings, submitted Memoranda of Law subsequent to the evidentiary hearing.

Procedural History

Plaintiff filed a Complaint in April of 1990 alleging copyright infringement and unfair competition against multiple defendants. On April 2, 1992 the Court entered an Order dismissing the action retaining jurisdiction tc enforce a settlement agreement entered into by the parties. The Final Order and Consent Decree also entered April 2, 1992

included a permanent injunction against the utilization by Defendants. of Plaintiff's copyrighted design.

On April 4, 1995 Plaintiff filed a Motion for Order to Show Cause, alleging zhat certain of the settling defendants were continuing to infringe the disputed design. On. October 2, 1995 Magistrate Judge Ted E. Bandstra held a hearing on the Motion. In Report and Recommendation submitted on October 30, 1995 Magistrate Bandstra found sufficient evidence of copyright infrigement to warrant the defendant's appearance at a hearing before the undersigned for further action. That Report and Recommendation was affirmed by the Court on December 19, 1995 and a hearing was scheduled for February 29, 1996 to dtermine possible sanctions. Defendant L & L Wings appealed that Order on January 5, 1996 The Eleventh Circurt Court of Appeals dismissed that Appeal June 20, 1996.

On November 27, 1996 the Court entered an Order affirming the Report and Recommendation and setting a show cause hearing for February 19, 1997. That hearing was held in Key West and the Court then scheduled a hearing, to determine damages for March 24, 1997. This Order is the Court's findings or fact and conclusions of law regarding Defendant, L & L Wing's, contemptuous infringement.

Findings of Fact

1. Two's Company is a Rhode Island Corporation engaged in the in the wholesale distribution of sportswear and other merchandise to retailers throughtout the United States. Two's Company manfactures sells and distributes its products bearing an artistic design of an abstract sailboat in the form of

a silk screen print. The artistic design was original with the Plaintiff and copyright was claimed on the work in compliance with Title 17 of the United States Code in June 1985. Plaintiff owns all the rights, titlesand interest to said copyright the registration thereof. Plaintiff's retail customers are primarily located in resort locations throughout the United States including Key West, Florida. Authentic products of the Plaintiff were sold to legitimate licensees in the City of Key West and elsewhere.

2.
Wings is a retailer of casual clothing in Key West, Florida and other locations throughout the United States. Wings was and remains a defendant in this case and is subject to the final Order and Consent Decree entered on April 3, 1992. Pursuant to that order, Wings is permanently enjoined from displaying, selling and distributing clothing and or transfers bearing the artistic design "copied from or closely resembling" Plaintiff's copyrighted work; or from utilizing Plaintiff's copyrighted design "or any elements thereof constituting a protectable matter or any colorable imitation thereof " in connection with the sale of merchandise. Final order and Consent Decree, Par. 1(a), 1(b).

3.
Upon learning that Wings was engaging in conduct that was arguably in contempt of the Final Order and Consent Decree, Barbara Wright, a former resident of Key West, was hired by Plaintiff to "shop" retail stores in. Key West looking for counterfeit products being sold by defendants bearing plaintiff's copyrighted design.

4.
Shaul Levy, President of Wings, testified that he is familiar with Plaintiff's copyrighted sailboat design and the Final

Order and Consent Decree entered, enjoining Wings from selling any merchandise using that design or any part thereof. It is Mr. Levy's opinion that the clothing purchased by Ms. Wright at his stores in Key West did not bear Plaintiff's copyrighted design or imitations thereof due to differences in the design on his shirts including flags on the masts, solar displays above the masts, wave patterns under the sailboat's hull, variations in color, the number of masts and sails, and other distinguishing features.

5. On April 3, 1995 Plaintiff filed a motion for order to show cause why defendants, including Wings, should not be held in contempt alleging a violation of the order and consent decree by selling transfers of Plaintiff's copyrighted sailboat design

6. On October 30, 1995 Magistrate Judge Bandstra issued a Report Recommendation and determined that Wings had violated the Final Order and Consent Decree by selling merchandise bearing a close resemblance Plaintiff"s copyrighted sailboat design at its two Key West locations The Magtstrate found that the shape of the sails, their positioning on the masts, their overlap on each other, and the overall design. created by those overlaps is nearly identical in both products.

7. On December 19, 1995 this Court entered an Order affirming Magistrate Bandstra's Report & Recommendation finding Wings in violation of the Final Order and Consent Decree.

8. This Court held evidentiary hearings conerning the assessment of damages to be awarded to Plaintiff for the contempt of Wings and, the parties have presented evidence relating to the profits of Wings on the contemptuous product.

9. Specifically, as part of establishing Wing's profits as the basis Two's Company's compensatory relief, Two's Company offered in evidence and the Court finds the inventory Wings had on its shelf after the contempt bearing on October 2, 1995 was 4199 pieces, Two's Company Exhibit 24, based upon the invoices of five different suppliers to Wings

10. Two's Company Exhibit 20 asserts and the Court finds that the total units purchased from the five vendors as amounting to 84,372 total units. Additionally 720 units of towels were purchased.

11. Two' Company Exhibit 21 shows a product mix of 80% t-shirts and 20% sweatshirts that Shaul Levy ("Levy"), President of Wings, testified to in his deposition. Using the high profit numbers Levy quoted, Wing's profits ware $936,348 when the cost of material has been deducted from the selling price.

12. Two's Company Exhibit 1 is a composite of documents produced in discovery by Wings which showed that 20,251 sheets were sold, at which there could be two or more boats per sheet. This evidence is further supported by the deposition testimony of Frank Flanagan ("Flanagan") that the amount of the contemptuous product could be 75,000 or more just from his company alone.

13. Wings asserted without any documentary evidence that it only sold about 17,000 of the items in contempt. It also has not introduced any documentary evidence on how many shirts were purchased. Wings concedes that it is a sixty million dollar ($60,000,000.00) a year company, but it nonetheless claims with little credibility that it keeps no record of the products it has purchased or shipped. Its testimony is that Wings does not save any purchase orders or packing lists and

that after the products are matched it throws out the invoices as well.

14. Wings sought to deduct its overhead to arrived its profits, while Two's Company contended it was not entitled to do so. Wings provided no documentary evidence concerning same. Sales of the contemptuous product over the approximately two year period was not more than six hundred thousand dollars ($600,000.00) per year using Two's Company's assertions concerning sales volume. Thus the percentage of total sales that constituted contemptuous product is only about one percent (1%) of Wing's total sales volume.

DISCUSSION

Contemptuous Infringement

Magistrate Ted E. Bandstra's Report and Recommendation issued on October 30, 1995, after a full hearing, found that Wings had violated the Final Order and Consent Decree by selling merchandise bearing a close resemblance to Plaintiff's Copyrighted sailboat decision at its two Key West locations. This Court affirmed that Report and Recommendation on November 25, 1996.

The Magistrate's Report and Recommendation, the transcript of the hearing before Magistrate Ted E Bandstra, and the transcript of the proceedings held before this Court on February 19, 1997 and March 24-25, 1997 are hereby incorporated by reference.

Damages

Plaintiff has not asserted willfulness in connection with Defendant's infrigment of the copyright at issue. For this reason Defendant contends contempt damages are not available. However, pursuant to 17 U.S.C. § 504(b). Plaintiff is entitled to recover the actual damages and any profits attributable to the infringement.

Here, Defendant professed an inability to produce business records of its profits. While the burden is on the plaintiff to establish defendant's profits, any uncertainty as to the profits that is caused by the defendant's failure to keep adequate records of costs will be resolved in favor of the plaintiff. In Design v. Lauren Knitwear 782 F. Supp. 824 (S.D.N.Y. 1991); citing Shapiro, Bernstein & Co. v.Remington Records. Inc., 265 F. 2d 263, 272-3 (2d Cir. 1959).

The Court finds that Plaintiff has produced ample credible evidence, through testimony, invoices and witness deposition that the profit resulting from the contemptuos in this case amounts to $936,348.00. This is arrived at by using the total amount of units derived from the invoices of five different suppliers and the retail sales price and cost figues from deposition testimony.

Attorney's Fees and Costs

The Court has discretion under 17 U.S. § 505 to award the prevailing party costs and reasonable attorney's fees.

The Court finds that Plaintiff's attorney's fees incurred as a result off the contemptous infringement to be $38,354.00.[1] The costs associated with prosecuting this action are $13,156.41.[2] Therefore the total attorney's fees and costs to be awarded in this action are $51, 510.41.

CONCLUSION

Accordingly, after a careful review of the record, and the Court being otherwise fully advised, it is

ORDERED and ADJUDGED that Plaintiff shall recover from Defendant, L & L Wings, the amount of $936,348.00 for contemptuous infrigement, plus $51,510.41 in attorney's fees and costs.

DONE and ORDERED in Chambers at the James Lawrence King Federal Justice Building and United States Courthouse, Miami, Florida, this 27th day of May, 1997.

s/JAMES LAWRENCE KING
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Footnotes

1. Declaration for Attorney's Fees for Civil Contempt Finding and Compensatory Damages, p.6.

2 Memorandum of Fact and Law in Support of Plaintiff's Damages for Contempt by Wings, Exhibit A.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT
(Filed 5/27/97)
Case No. : 90-10041-CIV-KING

TWO'S COMPANY,
a Rhode Island Corporation,
Plaintiff

versus

L &L WINGS, INC., et al.,

Defendants.

FINAL JUDGMENT

This CAUSE comes before the Court upon a Show Cause Hearing held in Key West on February 15, 1997 By Order dated May 27, 1997; the Court found Defendant Wings in contempt and entered judgment in favor of Plaintiff.

Accordinaly, after a careful review of the record, and the Court being otherwise fully advised, it is

ORDERED ADJUDGED and DECREED that FINAL JUDGMENT be, and the same s hereby, ENTERED in favor of Plaintiff. This is in accordance with this Court's Order of May *27*, 1997

DONE and ORDERED in Chambers at the James Lawrence King Federal Justice Building and United States District Courthouse, Miami, Florida, this 27th day of May, 1997.

s/ JAMES LAWRENCE KING
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT
(7/10/97)
Case No. : 90-10041-CIV-KING

TWO'S COMPANY,
a Rhode Island Corporation,
Plaintiff

versus

CRAZY TEE'S, INC., et al.,

Defendants.

ORDER DENYING DEFENDANTS' MOTION FOR RECONSIDERATION

THIS CAUSE comes to this Court upon Defendant's Motion for Reconsideration of the Order as to Damages, filed June 6, 1997. Plaintiff responded in opposition on June 25, 1997.

In the Order entered May 27, 1997, the Court awarded Plaintiff, Two's Company damages in the amount of $936,348.00, to be paid by Defendant, L & L Wings, as a result of Defendant's contemptuous infringement of Plaintiff's copyright in violation of the Final Order and Consent Decree entered April 2, 1992

Accordingly, after a careful review of the record, and the Court being otherwise fully advised, it is

ORDERED and ADJUDGED that Defendant's Motion for Reconsideration of the Order as to damages be, and the same is hereby DENIED.

IN THE UNITED STATES COURT OF APPEALS
FOR THE ELEVENTH CIRCUIT

No. 97-5279

TWO'S COMPANY,
a Rhode Island Corporation,

Plaintiff-Counter-
Defendant -Appellee,

versus

WINGS,
a.k.a L & L Wings, Inc.,

Defendant-Appellant.

On Appeal from the United States District Court for the
Southern District of Florida

BEFORE: BLACK and CARNES, Circuit Judges, and FAY, Senior Circuit Judge.

PER CURIAM:

The petition(s) for rehearing filed by Wings is denied

ENTERED FOR THE COURT:
s/
UNITED STATES CIRCUIT JUDGE

Copyright and Patent Clause, United States Constitution:

The Congress shall have Power ...
To promote the Progress of Science and useful Arts, by securing, for limited Times, to Authors and Inventors, the exclusive Right to their respective Writings and Discoveries.

Article I, § 8, cl. 8 of the United States Constitution

17 USC § 102(b)

§ 102. Subject matter of copyright: In general

(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

17 USC § 504

§ 504. Remedies for infringement: Damages and profits

(a) In General.--Except as otherwise provided by this title, an infringer of copyright is liable for either--
(1) the copyright owner's actual damages and any additional profits of the infringer, as provided by subsection (b); or
(2) statutory damages, as provided by subsection (c).

(b) Actual Damages and Profits.--The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

(c) Statutory Damages.--

(1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $500 or more than $20,000 as the court considers just. For the purposes of this subsection, all the parts of a compilation or derivative work constitute one work.

(2) In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $100,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than $200. The court shall remit statutory damages in any case where an infringer believed and had reasonable grounds for believing that his or her use of the copyrighted work was a fair use under section 107, if the infringer was: (i) an employee or

agent of a nonprofit educational institution, library, or archives acting within the scope of his or her employment who, or such institution, library, or archives itself, which infringed by reproducing the work in copies or phonorecords; or (ii) a public broadcasting entity which or a person who, as a regular part of the nonprofit activities of a public broadcasting entity (as defined in subsection (g) of section 118) infringed by performing a published nondramatic literary work or by reproducing a transmission program embodying a performance of such a work.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
KEY WEST DIVISION

97-5279

TWO'S COMPANY,
a Rhode Island Corporation,
Plaintiff

versus

CRAZY TEES, INC. et al.,

Defendants.

MOTION AND MEMORANDUM FOR ORDER TO SHOW CAUSE WHY DEFENDANTS SHOULD NOT BE HELD IN CONTEMPT

COMES NOW plaintiff, TWO'S COMPANY, a Rhode Island corporation, by and through its undersjgned counsel, and moves for an Order to Show Cause why several of the Defendants should not be held in contempt of the Final Order and Consent Decree entered by this Court in this case on or about April 2, 1992.

Before getting to the specifics of the motion, a little background is appropriate. This case was filed in late 1990 against seventeen (17) Defendants, many of whom cooperated or conspired with each other in the rampant counterfeiting of Plaintiff's copyrighted abstract sailboat design on tee shirts and other casual clothing. A copy of the Copyright Registration Certificate and the abstract sailboat design are

attached hereto as Composite Exhibit "A." A seizure conducted against all Defendants simultaneously under the supervision of the U. S. Marshal's Service resulted in the impoundment of thousands of counterfeit transfers and articles of clothing. Following the seizure, all of the Defendants stipulated to the entry by the Court of a Preliminary Injunction.

Various of the Defendants then settled with the Plaintiff during the discovery phase of the case. As the litigation approached a jury trial date, the remaining Defendants settled. The Defendants remaining in the case at the end became subject to the above—described consent decree. The Final Order and Consent Decree also provided that the Court would retain continuing jurisdiction for enforcement. A copy of the Final Order and Consent Decree dated April 2, 1992 is attached hereto as Exhibit "B "

The Exhibit "B" Final Order provided in pertinent part:

> IT IS HEREBY ORDERED, ADJUDGED and DECREED:
> 1.That each of the remaining Defendants, their servants, employees and attorneys, and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise are hereby permanently enjoined from, either directly or indirectly:
> a)Manufacturing, reproducing, making, printing, reprinting, publishing, displaying, selling, offering for sale, promoting, advertising, secreting, or distributing any article of manufacture, especially clothing

and/or transfers, bearing the artistic design copied from or closely resembling Plaintiff's copyrighted work, or from committing or causing others to do any such acts; or (b)Utilizing Plaintiff's copyrighted design or any elements thereof constituting protectible matter or any colorable imitations thereof, or otherwise suggesting in any way that the Defendants' products have been approved by, authorized by, licensed by, or in any way associated with or sponsored by Plaintiff, provided, however, that nothing herein shall be construed to enjoin the foregoing with authentic merchandise purchased, directly or indirectly, from the Plaintiff. (Emphasis added].

The individuals and entities to whom this Motion is directed, and their relationship to the original Defendants are as follows:

(1)Shlomo "Soly" D'Jamal, an individual d/b/a, with partners Charles Ittah and Moshe Mizrahi, as Wipe Out, Chums, This and That, Gift Shop (of Key West , and Street Wear. Mr. D'Jamal was one of the controlling individuals of Defendants U & C. INC. , a/k/a WIPE OUT, CHUM'S, INC. a/k/a CHUMS, and G.C. 18, INC., a/k/a THIS AND THAT.

(2)Shaul and Meir Levy, two individuals d/b/a Wings #301. Both were controlling individuals of Defendant L & L WINGS, INC. a/k/a WINGS.

Grounds for this Motion are that the Plaintiff has had reason to suspect that certain of the Defendants have failed to

comply with the terms and conditions of said Injunctions. Accordingly, a private investigator was retained to "shop" the Defendants to determine if they sell or offer for sale items which would constitute a violation of the above quoted portions of the Exhibit "B" Order. Said investigation revealed that several of the Defendants are or have been, indeed, selling transfers applied to casual clothing and embroidered articles of casual clothing embodying infringements of Plaintiff's copyrighted abstract

sailboat design. Specifically, the articles being manufactured and sold in violation of this Court's Order are comprised of the Plaintiff's copyrighted design with a few modifications thereto, a mirror image of plantiff's copyrighted design with a few modifications thereto, or designs that are substantially similar to and clearly inspired by Plaintiff's copyrighted design. Composite Exhibit "C" attached hereto is comprised of photocopies of photographs of said infringing items along with a note showing the entity and address from whence they were purchased.

The Plaintitf seeks an Order to Show Cause why the foregoing Defendants and individuals subject to the injunctive provisions of the Final Order and consent Decree should not be held in contempt. It would appear from the fact that Defendants are, or have been, offering these infringing items for sale that the Defendants are in open defiance of the injunction, simply disregarding the Court's judicial authority.

Contempt, of course, consists of a disregard of judicial authority, Wright & Miller, Federal Practice & Procedure 2960. A court's power to punish contempt is considered to be an inherent integral element of its authority. Id. This has been true for more than a century.

> The power to punish for contempt is inherent in all courts; its existence is essential to the preservation of order in judicial proceedings, and to the enforcement of judgnents, orders, and writs of the court, and, consequently, to the due administration of justice. The moment the courts of the United States were called into existence and vested with jurisdiction over any subject, they became possessed of this power.

Ex Parte Robinson 86 U.S. 505 (1874).

Criminal contempt is a creature of a statute, 18 U.S.C. Sec. 401, which provides:

> A court of the United States shall have power to punish by fine or imprisonment, at its discretion, such contempt of its authority, and none other, as -
>
> (1) misbehavior of any person in its presence or so near thereto as to obstruct the administration of justice;
>
> (2) misbehavior of any of its officers in their official transactions;
>
> (3) disobedience or resistance to its lawful writ, process, order, rule, decree or command.

There is, of course, civil contempt as well as criminal contempt. Civil contempt applies where the purpose is remedial and is intended to coerce a defendant into doing what he was supposed to do, Smith v. Sullivan, 611 F.2d 1050 (5th Cir. 1980); U.S. v. Hilburn, 625 F.2d 1177 (5th

Cir. 1980) . Civil contempt is strictly a remedial action, which arises out of the main suit and may be maintained by a private party as the Plaintiff herein. It is directed to restoring the parties to the position they would have held had the Order of the Court been obeyed, Ramos Colon v. U.S. Attorney for the District of Puerto Rico, 576 F.2d 1 (1st Cir. 1978) . There is authority that violation of a trademark preliminary injunction constitutes criminal contempt, although on facts different from those with which the Court is confronted in the case at bar, Musidor. B.V. v. Great American Screen, 658 F.2d 60 (2d Cir. 1981), cert. denied, 102 S.Ct. 1440 (need year).

The plaintiff seeks a hearing by the Court after entry of an Order to Show Cause on two issues:

(1) whether the above named Defendants and individuals subject to the injunction should be held in contempt, and, if so,

(2) What sanctions are appropriate.

The apparently continued violation by the Defendants of the Plaintiff's intellectual property rights, as well as the Court's injunction, is continuing to cause irreparable harm to the Plaintiff. It has now also resulted in an additional expense for Plaintiff's counsel to research, .write and bring before this Court this Notion and Memorandum for an Order to Show Cause why the Defendants and individuals should not be held in contempt.

While the statutorily provided fine or imprisonment. 18 U.S.C. Sec. 401, may be inappropriate at this juncture, a finding of contempt by this Court should not be without sanction.

Accordingly, the Plaintiff urges an award by the Court of reasonable attorney's fees for researching, writing, and bringing before the Court this Motion and Memorandum for an Order to Show Cause why the Defendants should not be held in contempt, after an evidentiary hearing pursuant to notice. In a civil contempt action, an award of reasonable attorney's fees is entirely appropriate, Folk v. Wallace Business Forms. Inc., 394 F.2d 240 (4th Cir. 1968). In addition to attorney's fees, the Court may award damages for the period of noncompliance with the Court's Order, Thompson v. Johnson, 410 F.Supp. 633 (D.C. Pa. 1976). The plaintiff would also request that the Court order the Defendants to submit to discovery of Defendants' complete sales records from the period of time that the injunction has been in effect as to each of the several Defendants and individuals, so that the extent of the contemptuous conduct can be established.

Substantial damages and reasonable attorney's fees may be awarded as compensatory sanctions for civil contempt, Fleischman and Distilling Corp. v. Maier Brewing Co., 386 U.S. 714, 718 (1967); Scandia Down Corp. v. Euroquilt Inc., 772 F.2d 1423 (7th Cir. 1985) cert. denied, 475 U.S. 1147, 106 S.Ct. 1801, 901 L.Ed.2d 346 (1986) . Compensatory sanctions may include damages in the form of contemner's profits, Howard Johnson Co. . Inc. v. Khimani, 892 F.2d 1512 (11th Cir. 1990) .

In the event that, upon a properly noticed hearing, the Court finds certain of the Defendants to be in contempt of the Exhibit "B', injunction, Plaintiff seeks reasonable attorney's fees concerning this matter as above stated, and will provide the Court, if needed, with an affidavit that is intended to comply with the requirements at the Eleventh Circuit for the award of attorney's fees in Johnson v. Georgia Highway

Express. Inc., 488 F.2d 714 (5th Cir. 1974). In that case, the Court set forth twelve (12) factors to be considered in the award of reasonable attorney's fees.

Of course, prior Fifth Circuit case law became controlling precedent in the Eleventh Circuit, Bonner v. City of Prichard, 661 F.2d 1206 (11th Cir. 1982) (en banc) . As sanctions for contempt, attorney's fees may be awarded whenever attorney's fees are authorized by the underlying statute, In Re: First Colonial, 544 F.2d 1291. 1299 (5th Cir. 1977). A statute has been employed in this District on the award of attorney's fees to the undersigned counsel for the Plaintiff, Structural Panels. Inc. v. Elite Aluminum. Inc., 16 USPQ2d 1474, 1476 (S.D. Fla. 1990) (Judge Gonzalez) . Although that was a patent case and the fees awarded were not a result of contempt that occurred in that case, it is within the Court's discretion to look to the Lanham Act in determining the appropriate measure of damages and defining sanctions for civil contempt, Rickard v. Auto Publisher. Inc., F.2d 450, 458-59 n.37 (11th Cir. 1984) ; Howard Johnson Co., Inc. v. Khimani, supra.

CONCLUSION

For the reasons, cases and authorities herein cited, this Court is respectfully urged to execute an Order to Show Cause why the Defendants should not be held in contempt, Order discovery of sales to determine the extent of allegedly contemptuous activity, schedule a hearing on the Order to Show Cause, Order that the Defendants be found in contempt in the event that they fail to demonstrate otherwise at said hearing, and, if appropriate, grant sanctions in the form of reasonable attorney's fees and/or civil contempt damages such as Defendants' profits.

S/ ROBERT J. VAN DER WALL

EXHIBIT A
(See Lodging)

(Exhibit B)
IN THE UNITED STATES DISTRICT
FOR THE SOUTHERN DISTRICT OF FLORIDA

90-10041-CIV-KING

TWO'S COMPANY, a Rhode Island Corporation
Plaintiff,

v.

CRAZY TEES, a/k/a A M CORPORATION; et al.,
Defendants.

FINAL ORDER AND CONSENT DECREE

Summary of Proceedings

1. On April 10, 1990, the Plaintiff filed a Complaint against seventeen (17) separate Defendants alleging, inter alia, copyright infringement and unfair competition. Also filed were a Motion for Temporary Restraining Order, Order to Show Cause for Preliminary Injunction, Ex Parte Order of Seizure and Impoundment, Affidavits in support, evidentiary exhibits, and memorandum of law in support. On April 12, 1990, the Court entered the ex parte Order of Seizure, which was served upon the Defendants on May 10, 1990, under the supervision of U.S. Marshals and with the assistance of the Monroe County Sheriff's Department.

2. The Court conducted a hearing on May 18, 1990, on an order to show cause why the temporary restraining order should not become a Preliminary Injunction pending trial on May 18, 1990. All Defendants stipulated to the entry

of a Preliminary Injunction pending trial. The Court entered the Preliminary Injunction on June 13, 1990.

3. In June, 1991, numerous Defendants filed Motions for Summary Judgment asserting, inter alia, invalidity of the Plaintiff's copyright registration for failure to comply with the notice requirements of 17 U.S.C. Sec. 401(b) and failure to cure defects pursuant to 17 U.S.C. Sec. 405. Said Motions were denied by the Court on September 18, 1991.

Findings of Fact

4. Plaintiff, TWO'S COMPANY, INC., is a Rhode Island corporation having its principal place of business at 1550 Elmwood Avenue, Cranston, RI 02910.

5. All original Defendants except one have been engaged in the business of retailing casual clothing in Key West, FL. The exception, F & M EXPRESSIONS UNLIMITED of Davie, FL, has been engaged in the business of manufacturing transfers to be applied to casual clothing and selling them wholesale in Key West to some of the other Defendants.

6. Remaining in this action are L. L. WINGS, INC., a/k/a WINGS, U & C, INC., a/k/a WIPE OUT, CHUM'S, INC., a/k/a CHUMS, and G.G. 18, INC., a/k/a THIS & 'THAT (hereinafter referred to as "the remaining Defendants"), all other Defendants having effected separate settlements with the Plaintiff previously, which are separately enforceable as they may be and not a part of this Final Order and Consent Decree.

7. Prior to June 24, 1985, Plaintiff created the design for an abstract sailboat in the form of a silk screen print. Said

artistic design was original with the Plaintiff, constituted copyright of the subject matter under Title 17 of United States Code, copyright was claimed on the work in compliance with said Title, and registration of the copyright was duly secured by compliance with all provisions of said Title. Registration No. VA 385,015 was obtained. Plaintiff owns all right, title and interest to said copyright and the registration thereof.

8. Plaintiff screen prints and sells casual clothing and also manufactures and sells transfers, both embodying the copyrighted work. Transfers are articles of manufacture including a substrate, usually paper and a design intended to be applied to blank clothing purchased by the customer. The retailer attaches the design to the fabric of the blank clothing by heat application while the customer waits. Authentic products of the Plaintiff were sold to legitimate licensees in the City of Key West and elsewhere. All of the Defendants had access to the Plaintiff's copyrighted work.

9. Products offered for sale and sold by the Defendants bear a design that is substantially identical to Plaintiff's copyrighted design.

Conclusions of Law

10. This Court has jurisdiction aver the subject matter and parties hereto. Subject matter jurisdiction is founded on 17 U.S.C. Sec. 501 et seq. for infringement of copyright and pursuant to 15 U.S.C. Sec. 1051, et seq., particularly Sec. 1125(a) for passing off and trade dress infringement. Venue is appropriate in this District pursuant to 28 U.S.C. Sec. 1400(a) and pursuant to 28 U.S.C. Sec. 1391. The Court also has diversity jurisdiction since the Plaintiff and Defendants are from different states and the amount in

controversy exceeds Fifty Thousand ($50,000.00) Dollars. Further, the jurisdiction of the Court resides in the Declaratory Judgment Act, 28 U.S.C. Sec. 2201, et seq.

11. Copyright in the abstract sailboat design and its Registration No. VA 385,015 are valid.

12. The remaining Defendants have infringed Plaintiff's copyright. The remaining Defendants assert that the infringement was not willful, the Plaintiff does not contest that assertion, and the Court therefore concludes that the infringement was not willful.

Consent Decree

IT IS HEREBY ORDERED, ADJUDGED and DECREED:

1. That each of the remaining Defendants, their servants, employees and attorneys, and those persons in active concert or participation with them who receive actual notice of this Order by personal service or otherwise are hereby permanently enjoined from, either directly or indirectly:

(a) Manufacturing, reproducing, making, printing, reprinting, publishing, displaying, selling, offering for sale, promoting, advertising, secreting, or distributing any article of manufacture, especially clothing and/or transfers, bearing the artistic design copied from or closely resembling Plaintiff's copyrighted work, or from committing or causing others to do any such acts; or

(b) Utilizing Plaintiff's copyrighted design or any elements thereof constituting protectible matter or any colorable imitations thereof, or otherwise suggesting in any

way that the Defendants' products have been approved by, authorized by, licensed by, or in any way associated with or sponsored by Plaintiff, provided, however, that nothing herein shall be construed to enjoin the foregoing with authentic merchandise purchased, directly or indirectly, from the Plaintiff.

2. That pursuant to the Declaratory Judgment Act, that the State of Florida Registration No. T 11294 is declared void and cancelled and that a copy of this Court's Order shall be furnished by the Plaintiff to the Florida Secretary of State.

3. This Court shall retain continuing jurisdiction over the remaining parties for the purpose of enforcement of the terms and provisions of the foregoing permanent injunction or of the tens and conditions of any separate settlement agreements entered into between or among the parties to this action.

4. That the bond accompanying the Preliminary Injunction is hereby released in view of the Permanent Injunction herewith decreed.

DONE and ORDERED in Chambers, this 2 day of April 1992.

s/ JAMES LAWRENCE KING
UNITED STATES DISTRICT COURT JUDGE

EXHIBIT C
(See Lodging)

UNITED STATES COURT OF APPEALS
FOR THE ELEVENTH CIRCUIT

No. 97-5279

TWO'S COMPANY,
a Rhode Island Corporation,

Plaintiff-Counter-
Defendant -Appellee,

versus

WINGS,
a.k.a L & L Wings, Inc.,

Defendant-Appellant.

On Appeal from the United States District Court for the
Southern District of Florida

ORDER:

The motion of Appellant, WINGS, for (X) stay () recall and stay of the issuance of the mandate pending petition for *writ* of certiorari is DENIED.

The motion of Appellant, WINGS, for (X) stay () recall and stay of the issuance of the mandate pending petition for writ of certiorari is GRANTED to and including the stay to continue in force until the final disposition of the case by the Supreme Court, provided that within the period above mentioned there

shall be filed with the Clerk of this Court the certificate of the Clerk of the Supreme Court that the certiorari petition has been filed. The Clerk shall issue the mandate upon the filing of a copy of an order of the Supreme Court denying the writ, or upon expiration of the stay granted herein, unless the above mentioned certifcate shall be filed with the Clerk of this Court within that time.

The motion of Appellant, WINGS, for a further stay of the issuance of the mandate is GRANTED to and including _____ under the same conditions as set forth in the preceding paragraph.

IT IS ORDERED that the motion of Appellant, WINGS, for a further stay of the issuance of the mandate is DENIED.

S/
UNITED STATES CIRCUIT JUDGE

IN THE UNITED STATES COURT OF APPEALS
FOR THE ELEVENTH CIRCUIT

No. 97-5279

TWO'S COMPANY,
a Rhode Island Corporation,

Plaintiff-Counter-
Defendant -Appellee,

versus

WINGS,
a.k.a L & L Wings, Inc.,

Defendant-Appellant.

On Appeal from the United States District Court for the
Southern District of Florida

BEFORE: BLACK and CARNES, Circuit Judges, and
FAY Senior Circuit Judge.

BY THE COURT:

Appellee's motion for leave to file corrected petition for attorneys fees out of time is GRANTED.

Appellees motion for attorney's fees is GRANTED.

The Court DIRECTS the district court to hold a hearing to determine the amount of attorneys' fees.

Filed Dec 3, 1998

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1990 U.S. Dist. LEXIS 17525, *

DAVID E. BODENSTAB, Plaintiff, v. J.R. BLANK & ASSOCIATES, INC., JOSEPH R. BLANK, and COMPUWARE CORPORATION, Defendants

No. 88 C 6125

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

1990 U.S. Dist. LEXIS 17525

December 26, 1990
December 27, 1990, Docketed

JUDGES:
Charles P. Kocoras, United States District Judge.

OPINIONBY: KOCORAS

OPINION: MEMORANDUM OPINION

This matter is before the court on the parties' cross-motions for partial summary judgment of Counts I and II of the complaint. For the reasons set forth below, the defendants' motion is granted.

BACKGROUND

In December 1982, Defendants J.R. Blank & Associates and Joseph R. Blank (hereinafter collectively referred to as "Blank") entered into a licensing agreement with Defendant Compuware Corporation whereby Compuware would market Blank's "File-AID" series of computer programs and pay the royalties to Blank. Subsequently, a dispute arose regarding the licensing agreement, and when negotiations failed to resolve the dispute, Compuware filed suit.

In June 1988, approximately six months after Compuware filed its action, David Bodenstab, the plaintiff in this action and a former employee of Blank, was contacted by Martin Lagod, a Compuware attorney. After discussion, Compuware and Bodenstab entered into an agreement whereby Bodenstab agreed to sue Blank over title to the copyrights for File-AID/XE and File-AID for IMS. Compuware agreed in return to finance the litigation and to pay Bodenstab $ 1.5 million upon final judgment in favor of Bodenstab. On July 18, 1988, Bodenstab filed this suit against Blank.

Bodenstab is presently seeking summary judgment of Counts I and II of his complaint. Those counts ask for a declaratory judgment recognizing Bodenstab's alleged property interests in the programs he produced. If such relief is granted, the plaintiff will have a right to an accounting for the royalties earned in the sale of the disputed programs.

Blank hired the plaintiff in 1984 to help in the development of the File-AID programs. According to the plaintiff, Blank induced him to join the company with promises of joint ownership in the copyright of any program Bodenstab produced.

Bodenstab joined a staff of several computer programmers, none of whom have claimed ownership rights to the File-AID programs on which they worked. The programmers work was coordinated by Joseph Blank.

During his employment with Blank, Bodenstab was involved in the development of the File-AID/XE and File-AID for IMS programs. Bodenstab was paid by the hour, rather than by the project, and was given vacation pay, bonuses, and reimbursement for business trip expenses. However, Blank did not pay the employers' portion of social security, federal unemployment or hospital insurance taxes for Bodenstab or the other programmers. Also Bodenstab was not included in Blank's pension fund. Under the terms of the plan, independent contractors or employees who have worked for Blank for less than three years are not eligible to participate. Blank states that Bodenstab was ineligible because he had worked fewer than the requisite years, not because he was an independent contractor.

On the tax forms, Blank took the position that Bodenstab and the other programmers were not employees. Apparently this was a deliberate choice made following discussions among Blank, his accountant, and Bodenstab. In these discussions, Blank's position was that Bodenstab should not be designated as an employee, while Bodenstab expressed a desire to have formal employee status. Based on Bodenstab's account of the conversations, it appears that the preferences of each was motivated by personal convenience -- neither party wanted to have to fill out and keep track of the tax forms. Bodenstab argues that Blank's position on the tax forms constitutes an admission of Bodenstab's independent contractor status. Blank, in turn, points to Bodenstab's reference to Joseph Blank as his "boss" as proof that the parties understood

Bodenstab to be an employee regardless of the position taken for tax purposes.

The parties also differ over Bodenstab's degree of expertise. Bodenstab was responsible for writing components for File-AID/XE in the C language. The plaintiff claims that when he was hired in 1984, he was the only programmer capable of writing in C code. Blank, while not denying this assertion, notes instances in which Joseph Blank or one of the other programmers had to check Bodenstab's work. Blank further asserts that the plaintiff worked according to written specifications, n1 and that Bodenstab sought constant direction from Joseph Blank. The defendants also state that the C language could have been learned by any of the programmers within a week and that Bodenstab had to be given additional training in the course of his employment with Blank.

The parties further disagree on how much control Joseph Blank exercised over the programmers' work. Bodenstab claims that Joseph Blank's role was to test the work of the programmers to ensure that the program components could operate as a unified whole. According to Bodenstab, the programmers worked independently, and often Bodenstab worked at home. Further, Bodenstab asserts that between 1984 and 1986, Joseph Blank was frequently out of the office and therefore could not exercise control over the manner and means of work performance.

Blank disputes that such facts constitute a lack of control. Apparently Joseph Blank assigned projects, reviewed their functionality, and worked with the programmer to correct any deficiencies. The parties agree that Blank had the authority to hire and fire and to set deadlines for the projects assigned. Blank provided the computer and modem used by Bodenstab when he worked at home. The computer and modem

connected Bodenstab to the office by giving him access to Blank's mainframe computer. According to Blank, when it changed the location of its office, thereby reducing Bodenstab's commute, Bodenstab ceased to work at home.

The defendants admit that Joseph Blank was frequently gone from the office in 1984-6. However, the defendants assert that Joseph Blank made frequent telephone calls which allowed him to maintain control over the work being performed. In addition, Blank claims and Bodenstab denies that Joseph Blank had the right to assign additional projects to Bodenstab and the other programmers.

Bodenstab was responsible for the full-screen editor component for File-AID/XE and created several parts of this component as identified by Defendants Levey and Joseph Blank. According to Bodenstab, the contributions of each programmer were essential to the operating success of the File-AID/XE. Bodenstab further claims that many of the components he created were made part of File-AID for IMS with little or no change and that the original modification of File AID/XE was made under his direction and control.

Blank, while admitting that Bodenstab worked on the full screen editor component, asserts that the work was done according to the written specifications which bore Blank's copyright, and therefore cannot be considered an original or significant contribution by Bodenstab. Further, Blank claims that the most intensive work on File-AID for IMS was done after the plaintiff left Blank in April 1987.

During his deposition, Bodenstab testified that he brought the question of joint ownership to Joseph Blank's attention a couple of times in the course of his association with Blank. The matter was always left to be discussed at a later date, and

Bodenstab complains that Blank never made good on the alleged promise. However, at no time during his employment or for more than fourteen months after he quit Blank, did Bodenstab protest the adoption of the File-AID/XE and File-AID for IMS programs for Blank's own use.

Compuware has been selling File-AID/XE since the first week of June 1985, and Blank has expended over one million dollars in product development. During that time, the plaintiff made no objection to the sale of the programs on which he worked, made no monetary contributions to the marketing of the File-AID programs, and made no claim to the royalties resulting from the sale until encouraged to do so by Compuware in June of 1988. In short, Bodenstab failed to assert the ownership rights which he now claims were reasonably expected. The plaintiff states that he consulted with an attorney about a possible cause of action in 1987, but did not press suit due to a lack of funds.

Bodenstab is presently seeking summary judgment of Counts I and II of his complaint. Those counts request declaratory judgment recognizing Bodenstab's alleged property interests in the programs he produced. If such relief is granted, the plaintiff will have a right to an accounting for the royalties earned in the sale of the programs at issue.

Bodenstab's motion poses the question of whether the plaintiff may be considered a co-owner of the programs in light of his employment relationship with Blank. Specifically, this court must decide whether the programs were works made for hire thereby belonging exclusively to Bodenstab's employer, or whether Bodenstab worked as an independent contractor who could obtain co-ownership. The defendants have raised by cross-motion the additional issue of whether Bodenstab's claims are time barred either by the three year statute of

limitations for copyright claims or by the equitable doctrine of laches.

LEGAL STANDARD

The Seventh Circuit and this court favor judgments on the merits and will grant summary judgment only when a close scrutiny of the pleadings, answers to interrogatories, admissions, affidavits, and all other materials submitted by the parties indicates that no genuine issue of material fact stands in the way of a judgment at law. Fed. R. Civ. P. 56(c); see Anderson v. Liberty Lobby, Inc., 471 U.S. 1134, 106 S.Ct. 2505, 2510 (1986). A material fact is one which might affect the outcome of the suit under the applicable law. Id.

The party seeking summary judgment has the burden of establishing the absence of a genuine issue of material fact, and the party opposing such judgment is entitled to the benefit of all favorable inferences which can reasonably be drawn from the underlying facts. DeValk Lincoln Mercury, Inc. v. Ford Motor Co., 811 F.2d 326, 329 (7th Cir. 1987). If a jury hearing the evidence presented in the depositions and other evidence submitted by the parties could come out either way, summary judgment is inappropriate. National Distillers & Chemical Corporation v. First National Bank of Highland Park, 804 F.2d 978, 980 (7th Cir. 1986). Conversely, if only one legal conclusion can be drawn from the relevant evidence, the interests of prompt adjudication justify the disposition of the case by summary judgment. Where, due to the existence of controverted material facts, a final disposition of an entire case cannot be made by summary judgment, the court is authorized to limit the triable issues by rendering a partial summary judgment. Fed. R. Civ. P. 56(d).

DISCUSSION

Bodenstab has moved for summary disposition of his claim to an ownership interest in the File-AID/XE and File-AID for IMS programs. The defendants oppose the motion both on the grounds that there are material issues of fact preventing judgment as a matter of law, and that the claims are barred by the statute of limitations and the defense of laches.

1. Statute of limitations

A claim arising under the Copyright Act, 17 U.S.C. § 101 et seq. must be commenced within three years after the claim accrued. 17 U.S.C. § 507(b). n2 A cause of action accrues when the plaintiff knew or should have known of his claim. This limitation serves a dual interest. It protects the accuracy of adjudication by barring litigation over claims relating to the distant past, while at the same time promoting certainty in business dealings by assuring that after a fixed time business can proceed without fear of interference by the legal process. Taylor v. Meirick, 712 F.2d 1112 (7th Cir. 1983).

In this case the plaintiff asks for a declaration that he is a co-owner of the copyright for File-AID/XE and File-AID for IMS, as defined by § 201(a) of the Copyright Act, 17 U.S.C. § 101 et seq. This claim accrued when Bodenstab knew or should have known that he had title to the programs. Bodenstab stated during his deposition that he had reminded Joseph Blank of the latter's promise that Bodenstab would enjoy ownership rights in his programs at the end of 1984. If this statement is believed, then Bodenstab arguably know of his potential claim at least three and a half years before he filed his suit.

Under the Copyright Act, title to a copyright "vests initially in the author or authors of the work," and "the authors of a joint

work are co-owners of a copyright in the work." 17 U.S.C. § 201(a). A joint work is defined as "a work prepared by two or more authors with the intention that their contributions be merged into the inseparable or interdependent parts of a unitary whole." 17 U.S.C. § 101.

As pointed out in Bodenstab's reply memorandum, copyright ownership looks at the contributions of the co-authors. "The co-author's contribution must be 'significant' both in quality and quantity in order to permit an inference that the parties intended joint work." Eckert v. Hurley Chicago Co., Inc., 638 F.Supp. 699, 704 (N.D.Ill.1986) Thus, Bodenstab's co-ownership claim arose when he knew or should have known that he had made a significant contribution to File-AID/XE or File-AID for IMS.

Bodenstab admits that File-AID/XE was essentially completed in June 1985. n3 Thus, if Bodenstab's contributions to the program were, as he claims, substantial enough to give him an ownership interest, he should have been aware of his claim at that time. Yet Bodenstab did not protest Blank's control over the final File-AID products until July 18, 1980, more than three years after his claim accrued.

Even if Bodenstab did not have a reason to know of his potential claim when his alleged ownership interest vested, he certainly should have been aware of his claim when the first revenues were derived from his program, also in June 1985. At that time Bodenstab should have known that his product was being applied in the interests of another, and therefore that his program was being used in a way that was contrary to his ownership rights.

Whether Bodenstab's claim to ownership of the File-AID programs accrued when he initiated discussions of the subject

with Blank in 1984, when he had made a substantial contribution to the programs by June 1985, or when revenues were first earned by his programs in June 1985, the accrual of his claim occurred more than three years before the filing of this lawsuit. Accordingly, the cause of action asserted in Counts I and II is barred by the statute of limitations established by the Copyright Act.

Bodenstab has tried to escape the statutory limitation by revoking the continuing injury doctrine. That doctrine states that "the statute of limitations does not begin to run on the continuing wrong till the wrong is over and done with." Taylor v. Meirick, 712 F.2d 1112, 1119 (7th Cir. 1983) (citations omitted); Eisenman Chemical Company v. NL Industries, Inc., 595 F.Supp. 141, 146 (D.Nev. 1984) (distributions of copyright infringing manual), citing United State v. Shabazz, 724 F.2d 1536, 1540 (11th Cir. 1984).

In Taylor, an owner of the copyrights of several maps brought an action for infringement against a distributor who improperly copied and sold the maps. The initial copying and sales occurred more than three years before the Taylor plaintiff filed his claim. However, subsequent sales, made by unknown retailers who had bought the infringing map from the defendant, had occurred within the three year limitation period. The Seventh Circuit found that the infringement was a continuing wrong that recurred whenever one of the defendant's buyers sold a copy of the map. Under such circumstances, the wrong would continue until the last copy of the infringing map was sold. Taylor, 712 F.2d at 1119. The court found that the need to protect the plaintiff from having to bring successive suits justified detracting from the safeguards provided by a strict adherence to the statute of limitations. Id.

Taylor is distinguishable from this case in its facts and consequently in its reasoning. The case law clearly holds that there can be no action for infringement against a co-owner. Oddo v. Ries, 743 F.2d 630 (9th Cir. 1984); Weinstein v. University of Illinois, 811 F.2d 1091, 1094 (7th Cir. 1987). Therefore unlike the claim in Taylor, the counts at issue on these motions do not allege an infringement action. Rather, the counts merely seek a declaration of co-ownership in certain property. Once title vests, a valid ownership interest exists at all times and against all persons regardless of the actions of another giving rise to a claim for compensation. Thus, Bodenstab's cause of action is not dependent on the nonpayment of royalties earned through the sale of the File-AID programs, and was not renewed with each successive sale and nonpayment of royalties.

Also, unlike the situation in Taylor, there was no danger of unknown persons infringing on the plaintiff's ownership rights as a proximate result of Blank's improper conduct. A determination of Bodenstab's ownership rights would remove the need for further litigation between the parties. Consequently, a renewal of Bodenstab's cause of action due to the continuing authorized sale of the File-AID products by Compuware is not justified.

Bodenstab also suggests that the statute of limitations was tolled by Joseph Blank's fraudulent concealment of Bodenstab's cause of action. To invoke the doctrine of fraudulent concealment the plaintiff must show both successful concealment of the cause of action and fraudulent means to achieve that concealment. Pratter v. Neva Paperbucks, Inc., 446 F.2d 338, 341 (5th Cir. 1971). Wood v. Santa Barbara Chamber of Commerce, Inc., 507 F. Supp. 1128, 1135 (D. Nev. 1980). Once the plaintiff is on notice of a potential claim, the statute

begins to run. Pratter, 446 F.2d at 341; Wood, 507 F. Supp. at 1135.

In this case, Bodenstab has made only a weak assertion that Blank used fraudulent means to hide Bodenstab's claim. The facts consist merely of Joseph Blank's alleged promise in 1984 to make the plaintiff a co-owner of the programs he produced, and promises to discuss profit-sharing at a later date.

Even if such unfulfilled promises could be considered attempts at concealment, it is clear that they were unsuccessful. The essence of Bodenstab's claim is that he had an expectation of co-ownership rights when he started working for Blank.

According to Bodenstab, he informed Blank of his wish to share in the ownership of his programs as early as the end of 1985. Moreover, Bodenstab does not claim to have been unaware that his products were generating revenue since June of 1985 and that such revenues were not being passed on to him. In light of such assertions, the plaintiff contradicts himself when he claims that Joseph Blank's conduct concealed the co-ownership claims Bodenstab now asserts.

Bodenstab should have been aware of his potential claim in June 1988 at the very latest. The record shows that it was at that time that File-AID/XE was essentially complete and was generating royalties which were not being passed on to Bodenstab. Thus, Bodenstab's cause of action accrued more than three years before the filing of this lawsuit and is barred by the statute of limitations established by the Copyright Act.

2. Laches

Even if the three year statute of limitations were not a bar to Bodenstab's claims, Counts I and II would be barred by the

defense of laches. Bodenstab has argued that laches is not applicable where a litigant seeks "to enforce federal and state rights in law only," citing for support Morgan v. Koch, 419 F.2d 993, 996 (7th Cir. 1969) (securities fraud case in which the plaintiff had abandoned her equitable claims for rescission and sought only damages) and Cannon v. University of Health Services/The Chicago Medical School, 710 F.2d 351, 362 (7th Cir. 1983) (citations omitted). There is no need to address this assertion, however, since the counts at issue on these motions do not seek a legal remedy. See Cannon, 710 F.2d at 359, in which the court explicitly stated that the relevant precedent in the Seventh Circuit, including Morgan, permits application of laches in cases seeking to enforce federal rights in which no legal remedy is sought.

In the disputed counts the plaintiff seeks a declaratory judgment, a traditionally equitable form of relief. The fact that the plaintiff hopes to obtain monetary compensation as a result of the declaratory judgment does not change the equitable character of the relief sought. Such monetary relief is incidental to the plaintiffs equitable claim, Medtronic, Inc. v. Intermedics, Inc., 725 F.2d 440 (7th Cir. 1984) (on a motion to stay action, determination of whether action seeking damages, an injunction and an accounting was equitable or legal), and is in the nature of an accounting. The duty to account comes, not "from the copyright law's proscription of infringement," but from 'equitable doctrines relating to unjust enrichment and general principles of law governing the rights of co-owners.'" Oddo v. Ries, 743 F.2d 630, 633 (9th Cir. 1984), quoting Harrington v. Mure, 186 F.Supp. 655, 657-8 (S.D.N.Y.1960) (footnote omitted). Thus, because the cause of action articulated in Counts I and II is equitable, the court may apply the equitable defense of laches.

Unlike a statute of limitations, the defense of laches is principally a question of equity which focuses on the reasonableness of the delay, rather than on the number of years that have elapsed between the plaintiffs awareness of his cause of action and the actual filing of suit. Lingenfelter v. Keystone Consolidated Industries, Inc., 691 F.2d 339, 340 (7th Cir. 1982); Stone v. Williams, 873 F.2d 620, 624 (2nd Cir. 1989). A court may bar a claim based on laches where, due to some change in the condition or relations of the property or the parties, enforcement of the claim would be inequitable. Cannon v University of Health Sciences/The Chicago Medical School, 710 F.2d 351, 362 (7th Cir. 1983) (citations omitted).

The inequity required to support the defense is created by (1) the plaintiff's lack of diligence in filing the claim, and (2) prejudice to the defendant as a result of the delay. Zelazny v. Lyng, 853 F.2d 540, 541 (7th Cir. 1988). The delay in filing must be both unreasonable and inexcusable. Harris v. Beynon, 570 F.Supp. 690, 692 (N.D.Ill. 1983). The requisite prejudice is a function of the changing conditions and relationships occasioned by the delay. Id.

The plaintiff asserts that he began working for Blank with the expectation of having co-ownership rights and expressed this unfulfilled expectation to Joseph Blank during the course of employment. In the conversations recounted by Bodenstab, the ownership issue was not resolved. E.g., Bodenstab Deposition at 694-5. Bodenstab never asserted a right to the profits which he reasonably should have known were being earned from the sale of the File-AID programs, or in some other way made a definitive claim to ownership of the programs. The plaintiff admits to having consulted an attorney about his situation in 1987, but such private consultation would not put the defendants on notice that Bodenstab

believed he owned the programs. No such notice came until four years after Bodenstab began working for Bank, when Compuware convinced the plaintiff to file this suit.

Upon a showing of delay, the plaintiff bears the burden of providing a reasonable explanation for the lack of diligence. Lingenfelter, 691 F.2d at 340. The only justification suggested in this case is Bodenstab's lack of the funds needed for litigation. However, the lack of funds is not a recognized excuse for delay in bringing suit. MGA, Inc. v. Centri-Spray Corp., 639 F.Supp. 1238, 1242 (E.D.Mich. 1986); Naxon Telesign Corp. v. Bunker Ramo Corp., 686 F.2d 1258 (7th Cir. 1982), citing Whitman v. Walt Disney Products, 148 F.Supp. 37, 40 (S.D.Cal. 1957) (cites omitted). Therefore we find an unreasonable and unexcused delay exists in this instance.

The defendants bear the burden of showing prejudice. Zelazny, 853 F.2d at 541. The amount of prejudice required depends on the amount of excuse for delay. Stone, 873 F.2d at 625. Absent an excuse for delay, the defendants need show little prejudice. Id.

To satisfy the prejudice requirement, the defendants are not limited to showing that the delay has resulted in their inability to conduct a defense. Cannon, 710 F.2d at 362. A showing of pecuniary loss, the opportunity costs of foregone options, or continuing investments and outlays in the operation of business will also satisfy this requirement. Stone, 873 F.2d at 626; Eisenman, 595 F.Supp. at 147. The rationale is that it is "unfair for a plaintiff 'to stand inactive while the proposed infringer spends large sums of money in its exploitation, and to intervene only when his speculation has proved a success.'" Stone, 873 F.2d at 626, quoting Haas v. Leo Feist, Inc., 234 F. 105, 108 (S.D.N.Y. 1916).

In this case "we cannot be sure that defendants would have struck the bargains they did had they anticipated the diminution in their profits that the plaintiff seeks." Stone, 873 F.2d at 626. Blank paid over a million dollars in the development and promotion of the disputed programs. Roughly $ 456,000 of that sum was spent in 1987. The defendants point to several courses of action which they might have taken had Bodenstab asserted his claim in timely fashion, such as bargaining for a different agreement with Compuware or firing Bodenstab in favor of someone who would not insist on having ownership rights in the programs. Therefore, while some of Blank's expenditures would be figured into any accounting following a recognition of ownership rights in Bodenstab, such accounting could not undo decisions made by Blank while Bodenstab was sitting on his alleged rights.

Bodenstab claims to have been aware of his alleged claim to ownership rights in File-AID/XE and File-AID for IMS as early as the end of 1984 when he discussed with Joseph Blank the possibility of profit sharing. The importance of his claim grew stronger as the programs generated increasing profits in 1985. Yet Bodenstab, without excuse, unreasonably sat on his claims while Blank continually incurred the mounting costs of marketing. Given the prejudice occasioned on the defendants due to the plaintiff's delay in bringing this action, it would be inequitable to allow enforcement of Bodenstab's claims. Thus, the defense of laches provides a second bases for barring the claims asserted in Counts I and II.

3. The merits

Because the claims asserted in Counts I and II are barred by the statute of limitations or, in the alternative, by the defense of laches, it is unnecessary to address the substance of Bodenstab's motion for summary judgment. However, we note for

the record that even if the counts were not time-barred, the plaintiff's motion for summary judgment would be denied.

Bodenstab bases his claim to co-ownership on § 201(a) of the Copyright Act of 1976 which provides that copyright ownership "vests initially in the author or authors of the work." 17 U.S.C. § 201(a). Generally, the author is the individual "who translates an idea into a fixed, tangible expression entitled to copyright protection. § 102." Community for Creative Non-Violence v. Reid, 109 S. Ct. 2166, 2171 (1989) (hereinafter CCNV). An exception to the rule exists, however, when the work is "made for hire." 17 U.S.C. § 210(b). In such a situation, "the employer . . . for whom the work was prepared is considered the author." absent a written agreement to the contrary. 17 U.S.C. § 210(b).

The common law rules of agency are used in determining whether Bodenstab was an employee within the meaning of § 101(1). See CCNV, 109 S.Ct. at 2174. Under the common law, the key to this determination is the understanding of the parties as indicated by several factors relevant to the parties' relationship. The primary factor is "the hiring party's right to control the manner and means by which the product is accomplished," CCNV, 109 S.Ct. at 2178. However, other factors must also be considered, such as the skill required, whether the putative employer has the right to assign additional projects to the hired party, the source of the instrumentalities and tools, the location of the work, the duration of the work relationship, the hired party's discretion over the hours worked, the method of payment, the hired party's role in hiring and paying assistants, whether the work is part of the regular business of the hired party, whether the hiring party is in business, and the tax treatment of the hired party. CCNV 109 S. Ct. at 2179. The Supreme Court has stated that "no one of these factors is determinative." Id.

The briefs and other documents submitted by the parties indicate that too many facts material to a determination of these factors and of the parties' general understanding during the course of Bodenstab's employment to allow summary judgment of the issue. Thus, if not barred, the issues raised in plaintiff's motion would have been left to the trier of fact.

CONCLUSION

For the foregoing reasons, Counts I and II of Bodenstab's complaint are dismissed.